

The Loan Arranger

Winter 2001

Municipal Facilities Section - Environmental Assistance Division
Michigan Department of Environmental Quality 

Tom Kamppinen Retires

After 32 years of service to the State of Michigan, Tom Kamppinen retired at the end of December.

Tom began his career with the State of Michigan on June 24, 1968, as a water quality specialist on the staff to the Water Resources Commission.

When the State of Michigan received delegation to administer the federal National Pollutant Discharge Elimination System (NPDES) permit program under the federal Clean Water Act in 1973, Tom played a pivotal role in overseeing the development and issuance of discharge permits for the western and northern counties of the state.

In 1974, Tom took a new appointment with the Department of Natural Resources, overseeing the statewide implementation of the new Soil Erosion and Sediment Control Act, Act 317, of 1974.

In 1977, Tom was appointed Chief of the West Unit of the Municipal Facilities Section. As Unit Chief, Tom was responsible for all construction grants awarded to communities in Western and Northern Michigan through the federal Construction Grants Program under the Clean Water Act. These grants were for the construction of critical wastewater treatment system improvements. During this time, Michigan communities received more than \$1.5 billion in grant assistance for clean water projects, statewide.

In 1985, Tom was appointed Chief of the Municipal Facilities Section. Tom served in this leadership role until his retirement.

The 1987 amendments to the Clean Water Act established the State Revolving Fund (SRF) program to provide low-interest loans to municipalities to construct necessary sewerage system improvements. Tom

worked at the national level to help guide that legislation and related Environmental Protection Agency policy and guidance.



(With Tom (center) at his retirement party are Chip Heckathorn, West Unit Chief, on the left, and Dave Krusik, East Unit Chief, on the right.)

Tom also was the DNR point person in working with the legislature to pass Act 317 of 1988, qualifying the State of Michigan to receive over \$100 million in federal money annually to capitalize this critical clean water program. This law is now Part 53 of the Natural Resources and Environmental Protection Act (NREPA): Clean Water Assistance.

Under Tom's leadership since 1988, the SRF program administered by the Municipal Facilities Section, in partnership with the Michigan Municipal Bond Authority, has awarded over \$1.25 billion in low-interest loans to Michigan communities for clean water projects, resulting in major improvements in the quality of Michigan's lakes and streams.

(continued on page 2)

The 1996 amendments to the federal Safe Drinking Water Act established a parallel federal program to provide low-interest loans for necessary public water supply systems. Tom again provided guidance and assistance to the State Legislature in passing Part 54 of the NREPA: Safe Drinking Water Assistance, qualifying Michigan to participate with the Drinking Water Revolving Fund (DWRf).

Under Tom's direction, the state DWRf program has awarded over \$132 million in low-interest loans for Michigan public water supply systems to assure safe drinking water for the users of these systems.

As an active member of the Association of State and Interstate Water Pollution Control Administrators and the Council of Infrastructure Financing Authorities, Tom has provided guidance and leadership at the federal level in critical policy areas affecting both the SRF and DWRf programs.

Throughout his 32 years of dedicated state service, Tom has shown a true commitment to service to the citizens of Michigan and to the protection of Michigan's environment.

Tom's reputation for fiscal responsibility, professionalism, and fairness is well known by contractors, consultants, and community officials throughout the state, and we wish him the best in his future endeavors.



(Tom's immediate plans include a Caribbean Cruise and lots of golf)

Annual Reports

The Fiscal Year 2000 Annual Reports for the State Revolving Fund and Drinking Water Revolving Fund are now available. You can check them out on our website at www.deq.state.mi.us/ead/mfsect, or call us at 517-373-2161 to have a copy mailed to you.

Debate over the Single Audit Act

The extent to which the requirements of the Single Audit Act of 1984 (31 U.S.C. §7501 et seq.) and Office of Management and Budget Circular A-133 apply to loans made from the State Revolving Fund (SRF) and Drinking Water Revolving Fund (DWRf) programs remains unclear.

Environmental Protection Agency Program Guidance states that funds directly made available to the municipalities from the SRF and DWRf Capitalization Grants are to be considered federal funds subjected to the terms of the Single Audit Act. Michigan now utilizes a leveraged bond program, in essence providing SRF and DWRf financial assistance by purchasing local debt, wherein loan draws are processed from state revenue bond proceeds. The Michigan Department of Environmental Quality and the Michigan Municipal Bond Authority (MMBA) are of the opinion that by utilizing a leveraged bond program, that draws do not constitute federal funds directly made available to municipalities. Accordingly, SRF and DWRf loan recipients would not have to include these draw amounts when determining if the \$300,000 annual threshold for all federal funds referenced in the Single Audit Act is met.

Audits of Michigan's SRF and DWRf programs conducted by the Michigan Auditor General have questioned this opinion.

An EPA-State Taskforce is currently evaluating the matter and is expected to issue its recommendation in the near future. The EPA and the federal Office of Inspector General will then publish guidance on how the Single Audit Act applies to loans made under the SRF and DWRf programs. Until that time, since there is still some question relative to the applicability of the Single Audit Act to SRF and DWRf loans, loan recipients should ensure that their auditors are aware of this issue.

When a final decision has been reached it will be posted on the Municipal Facilities Section website along with appropriate instruction/guidance. Questions can be directed to your project manager or to staff of the MMBA.

Project Funding

Two loans were awarded in the first quarter of Fiscal Year 2001. In the State Revolving Fund, \$20,670,000 was awarded to the Lake St. Clair Clean Water Initiative (St. Clair Shores-Roseville-Eastpointe) Drain Drainage District, in Macomb County. This loan was for the elimination of sanitary sewer overflows and the control of combined sewer overflows. This loan covers a portion of the first segment of the overall effort to bring the wastewater collection and treatment systems in these three communities into compliance with state and federal law.

In the Drinking Water Revolving Fund, a \$6,110,000 loan was awarded to the village of Chelsea. The loan will be used to construct a water treatment plant and water transmission main.

In addition to these loans, the Michigan Department of Environmental Quality made an initial obligation of a Rural Hardship Assistance Grant to Inverness Township in Cheboygan County. This initial obligation was for \$233,900 to cover engineering services for planning and design, as a supplement to the funding Inverness Township received from the U.S. Department of Agriculture, Office of Rural Development.

The Return of Davis-Bacon?

On January 25, 2001, the United States Environmental Protection Agency (EPA) published a settlement agreement with the Building and Construction Trades Department of the AFL/CIO in the Federal Register. The agreement will apparently reestablish the application of Davis-Bacon wage rates to the State Revolving Fund (SRF) loan program.

At issue had been the applicability of the prevailing wage requirements of the Davis-Bacon Act to the SRF loan program for projects constructed from Fiscal Year 1995 to the present. Beginning with loans made in Michigan after October 1, 1994, recipients were not required to comply with these prevailing wage requirements. The EPA and the states were of the opinion that this posture was supported by an interpretation of the statutory language found in Title VI (Section 602(b)(6)) of the Federal Clean Water Act (CWA). The AFL/CIO disagreed with this position and asked the Department of Labor to rule on the matter. The EPA reconsidered its position and determined that Section 513 of the CWA does, in fact, impose a continuing obligation on it to ensure that grants made under Title VI of the CWA comply with Davis-Bacon requirements. It then entered into the referenced settlement agreement.

As the result of this agreement it appears that Davis-Bacon prevailing wage requirements will again apply to all loans funded through Capitalization Grants awarded after July 1, 2001. In Michigan this will impact some or all loans made after October 1, 2001. Historically many Michigan communities have expressed the opinion that the imposition of prevailing wage requirements results in an escalation of project costs, sometimes a significant one.

Michigan is currently evaluating how to best implement reinstitution of Davis-Bacon prevailing wage requirements. If you have any questions, please feel free to contact Chip Heckathorn at 517-373-4725.

Discount Rate Set for Fiscal Year 2001

The Environmental Protection Agency has set the discount rate for Fiscal Year 2001. For project planning that begins on or after October 1, 2000, a discount rate of **6 3/8 percent** (0.06375) should be used. This rate is ¼ point below that used for planning that began in Fiscal Year 2000, and continues a trend of decreasing rates that started in 1990.

Remember, this is NOT a rate that should be used to calculate debt retirement needs (2.5 percent, the loan rate for the SRF and DWRF does that), but rather is used in cost effective analyses to "bring" future expenditures back into today's dollars for total present worth or equivalent annual cost comparisons.

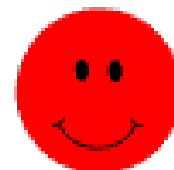
Don't Laugh -- the Deadline is Near

By Dave Krusik

(Read aloud, with feeling -- as if you are trying out for a stand-up bit on the Leno Show)

The word is out: demand for loans is high and supply is low, relatively speaking. So we were, like, wondering if any new **DWRF project plans** are being prepared for the **May 1 deadline**. Like, we've heard of only three communities thinking about submitting a new project plan for the Fiscal Year 2002 May 1 deadline. That's, like, only 2 ½ months away, you know. And we, like, can't believe that only a few new projects are, like, interested in getting a DWRF low-interest loan. That's, like, "low interest" -- as in "interest rate" -- way below market rate; not, like, "low interest" as in "hello, is anybody interested in the DWRF program anymore?" So like, if you are, like, secretly working on a project plan to submit for the May 1 deadline, like, let us know so we don't, like, get surprised and, like, get freaked out or something. Besides, we, like, like to get involved early so we can, like, help out with the progress of the plan, and, like, give pointers so the plan can, like, sail through the review process without a lot of, like, back-tracking and stuff.

Like, the same goes for the **SRF**, except, like, the deadline is, like, **July 1** instead of, like, May 1 for the DWRF. (And if you, like, are having trouble translating this, like, ask your kids. They, like, talk the language all the time, and will be able to, like, understand it, like, instantly.)



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